

**TIFA Committee Meeting:
Alternative Approaches to Financing Transportation infrastructure
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July 30, 2002**

- (1) The difference between delivery of governmental services through general government and through utilities
 - Three types of governmental powers
 - The shift from general government to enterprises (e.g., water, sewer, garbage and transit—and in the East, road & bridge services such as the Triborough Bridge Authority (1934))
- (2) Organization of transportation systems as utilities (in both the transit and highway/road context)
 - Utilities as “closed sets” or “fortresses” with special funds
 - The Accountancy Act (Ch. 43.09 RCW) and fund protection
 - Rates versus Taxes (see attached chart)
 - The 18th Amendment: The Motor Vehicle Fuel Tax is not a tax (it's a rate disguised as a tax!)
- (3) Toll/rate setting in the context of the "Covell" case, which in 1995 threw out Seattle's street utility: keeping charges as charges, taxes as taxes
- (4) Organization of utilities as "separate systems" versus organization as larger "enterprises"
 - The enterprise: water systems as an example
 - The “combined system”: a multiple activity enterprise such as water/sewer storm water, or highways/bridges/ferries
 - The “separate system”: stand alone dams (or bridges or highways)
- (5) Governmental finance *versus* nonprofit corporations *versus* for-profit enterprise for individual facilities or for entire systems
 - Traditional governmental approach: public finance, public procurement, public management, public rate-setting (Frank Chopp's preferred approach)
 - For-profit entities: substantial flexibility, *perhaps* large cost savings, but currently the numbers don't seem to work for private ownership & operation over the long term

- Non-profit corporations: a hybrid approach with more design/build flexibility, single-focus entity, same tax-exempt finance opportunities, *but* (unavoidably) less accountability during management phase. Rate setting—better bond owner protection, but less accountability as a trade-off. (Studies show non-profits are most cost-effective)

(6) Practical issues with public-private cooperative arrangements (living with hybrids)

- Understanding the other guy: different motives, different attitudes (and occasionally attributing nasty motives to each other)
- Keep an eye on risk shifting (consumers usually pay in the end)
- Bring along your own folks
- No compromise on police powers, no private eminent domain, and no gifts!

GENERAL CLASSIFICATION OF TAXES, FEES AND USER CHARGES

CLASSIFICATIONS	EXAMPLES	BASIC CHARACTERISTICS	PROTECTIONS	ACCOUNTING
TAXES	Property Taxes, Excise Taxes, Income Taxes, certain license fees	Imposed to raise money for <u>any</u> governmental purpose. No relationship between tax burden and benefit to an individual taxpayer	Express statutory authority always required. Subject to limits, uniformity requirements and other controls on tax levels and allocation of burden among taxpayers.	May be deposited in general fund or any other funds. May be used for any lawful governmental purpose.
USER CHARGES:				
Commodity Charges	Electrical rates, water rates, connection charges, irrigation assessments	Imposed to pay for the provision of commodities or services of direct benefit to consumer.	Commodity charges must be uniform within classes of customers and classes of service. May not exceed allocable share of cost.	Must be deposited in special fund. May not be transferred to general fund or other special funds for purposes of those funds.
Burden Offset Charges	Sewer rates, garbage rates, storm water utility charges, growth impact fees	Imposed to offset cost of handling burdens on others and on public resources ("externalities") caused by payor's activities.	May not exceed payor's allocable share of cost of programs or improvements to handle burdens caused by payor's activities. Must be uniform within classes of service and classes of users. Certain impact fees must be used within certain time periods for identified facilities.	Must be deposited in special fund. May not be transferred to general fund or other special funds. Must be used to pay for program facilities or activities.
Processing and Inspection Fees (True "Regulatory Fees")	Building permit fees, housing inspection fees, professional licensing fees, certain other license fees	Imposed to pay costs of governmental handling of payor's applications or requests, or to pay for inspection and control of payor's activities.	May not exceed allocable share of cost of processing, licensing or inspection and enforcement program.	Must be used to pay for processing or program activities.
Special Assessments	Assessments for local improvement districts, utility local improvement districts, road improvement districts, local utility districts	Imposed on property to offset cost of capital improvements that directly increase the value of that property.	May not exceed increase of value of property ("benefit") from improvement. Must be fairly allocated among all benefitted properties.	Must be deposited in special assessment fund or bond fund. May not be transferred to general fund or any other special funds. Must be used for specified improvements.